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ABSTRACT

The orientation of this paper is toward conceptualizing the ideal study guide. Preliminary sections discuss the general functions of a study guide--to map out a course, breaking it down into assignments of manageable size, and to direct and assist the student in learning the content of each assignment. The general role of an assignment also is discussed by addressing the four functions of orientation, task direction, learning assistance, and self-assessment. The bulk of the paper contains descriptions, analyses, and examples of the components of an ideal study guide assignment, including (1) purpose, significance, and goals; (2) text references; (3) outline of subject matter; (4) questions on subject matter; (5) key words and phrases; (6) application problem; and (7) assignment test. (RL)

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TOWARD THE IDEAL STUDY GUIDE

An Exploration of the Functions and Components of Study Guides

Philippe C. Duchastel

Discussion Paper Prepared
for the
Document Design Project

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I. Introduction

The academic textbook is the basis for a great deal of the learning taking place at the university level and in professional educational programs. Indeed, the textbook constitutes not only a repository of the ideas and information to be learned, but also an attempt at communicating this information in a manner which will make it easy to learn. There is an implicit recognition that the student will usually study the text on his own (as the act of reading usually requires) even though learning assistance (e.g., in the form of formal class presentations or discussions) might be available in a supportive manner. Textbook authors therefore take pains to present their materials in such a way that they are at least easily understood and that they offer a well integrated picture of the field.

II. The Nature of Study Guides

I shall not be focusing in this paper on textbooks but rather on study guides. That study guides have evolved over the years as supplements to textbooks is an indication that textbooks in themselves are only a resource for learning and cannot be expected, except in exceptional cases, to carry the full burden of teaching. Textbocks are more than just reference manuals and repositories of information, but they cannot generally be considered as instructional systems.

The study guide is a manual which attempts to enhance the learning to be derived from the study of a textbook by encouraging the student to process the text in certain ways. In this sense, it constitutes an instructional system. In some cases, this instructional system is an adjunct system which is embedded in a larger system, such as a course composed of instructor-led classes. In other cases, it is expected to stand pretty well on its own, as in situations involving only independent study.

The study guides developed by publishers to accompany their textbooks are meant to be used in an adjunct manner, within the larger system of formal college classes. Those developed by the American College and other distance-teaching institutions on the other hand constitute the primary instructional system itself. Not only are those American College students who attend classes expected to be fully prepared before class (i.e., to have already learned the material), but the majority of our students study fully on their own (over 70% of CLU students do not attend classes). The importance of the American College study guide is thus primordial.

Consider the alternative of not having study guides at all in our courses: the students would simply be told to study certain texts or text selections and would be left on their own to prepare for their exams. Few people would consider this a satisfactory instructional system, even when combined with formal classes!

III. General Functions

The first purpose of a study guide is to map out the specific content of a course. Unless a textbook is specifically written for a particular course, the course needs to be mapped out in a way which communicates to the students both the topics to be studied and the sequence in which to study them.

It is indeed rare that a text produced for a given student audience (for instance, a college audience) will be fully appropriate for a somewhat different audience (such as practitioners working toward a given professional designation). Thus, professors usually tailor the contents of a course to the perceived academic and practical needs of their students. Selected readings from textbooks and other sources are then determined as appropriate to these needs and assigned as readings for the course.

The study guide serves the purpose of indicating exactly which sections of texts should be studied and which can be overlooked. The study guide also serves the purpose of breaking down the course content into study units of a manageable size (in our case, each CLU course is broken down into 15 assignments representing perhaps 3 hours or so of initial independent study).

An important advantage of the study guide as a document which is distinct from the study materials themselves lies in its great flexibility: modifying a study guide (and hence the course) to reflect an updated curriculum is much more feasible than modifying and reprinting a text.

The second purpose of the study guide, after specifying the course contents, is to provide assistance to the students in learning these contents. The aim is to help the student understand the text and study it in such a way that its contents are later remembered. While the first purpose of the study guide is to indicate what to study, its second purpose is concerned with how the student should study to maximize learning and retention. The components of the study guide which are included in each assignment are directed at facilitating the learning process itself. This is a complex subject, which will be explored in the remainder of this paper. First I shall examine the specific functions involved in this area; then I shall explore how these functions are (or can be) implemented in practice through the selection and design of appropriate components, such as topic outlines, sets of questions on the subject matter, etc. In the process, I shall be working toward a description of what might be viewed as an ideal study guide.

IV. Specific Functions

As indicated earlier, the general functions of a study guide are twofold: (i) to map out the course and break it down into assignments of manageable size; and (ii) to direct and assist the student in learning the content of each assignment. This latter function is of most concern to us here. The question of relevance is how assignments can specifically direct and assist the learner? Or alternatively, what functions do various assignment components play in this process?

The typical American College study guide has evolved over the years into a document of fairly standardized format, although some important variations do exist. All assignments for instance are introduced by a brief section setting forth the purpose and significance of the assignment; all assignments have questions on the subject matter, and so on.

My intent in this section is to consider the needs of students in studying an assignment and what functions various components might play in filling these needs. In the next section of the paper, I shall look at specific components and consider how they fulfill these functions.

The general role of an assignment in guiding and assisting student learning can be partitioned into 4 somewhat distinct functions:

1. Orientation
2. Task direction
3. Learning assistance
4. Self-assessment.

Each of these will be briefly considered in turn.

1. Orientation. It is useful for the student to start studying an assignment with a general idea of what will be encountered in the assignment. This idea is ingrained in current educational thinking and supported by

research on learning. Ausubel (1968) has made a strong case that a preliminary framework of what is to come (he has called such frameworks 'advance organizers') can greatly facilitate learning and he has demonstrated their practical utility. A general framework sets the scope of the assignment and indicates how the assignment fits into the total course. It also indicates how the assignment topics are broken down and interrelated. It can also serve to show the relevance of the assignment for the student. This orientation function is currently served in American College study guides by the introductory section to each assignment entitled Purpose and Significance.

Another aspect of orientation is goal-setting. It is useful for the student to be aware in studying an assignment of the goals he is expected to reach while studying. An awareness of goals will enable him to concentrate his efforts in reaching them and will help him keep his learning efforts in perspective as he progresses with the assignment. Contrast goal-directed study with an alternative situation in which the student does not quite know what importance to give to the various parts of the content provided in an assignment. An awareness of goals will lead to more organized study and learning on the part of the student.

2. Task direction. This is a fairly straightforward function of an assignment. Directions indicate to the student which text chapters (in full or in part) or which other materials such as associated readings or problems need to be read or completed for the assignment.

3. Learning assistance. Learning is a complex process in which many difficulties need to be overcome if comprehension and retention are to be achieved. A textbook is essentially a presentation of the material to be learned and usually no more than that. Some contents are quickly understood

and easily retained following a casual reading of the text. Other contents require much more than simply reading the text however. Effective learning is thus the result of an interaction between the content to be learned and the strategies employed by the student in studying.

This interaction is a complex topic and its forms will only be briefly sketched here as they relate to the functions of the study guide. In this sense, the learning assistance function discussed here is a general function comprised of various more specific functions and processes.

Learning comprises a selective process, a generative process and a rehearsal process. Studying more generally is a self-monitoring process which adapts learning strategies to the type of content to be learned.

The selective nature of learning derives from the fact that a student cannot or will not learn everything in a text in an equal manner. Study time and a student's general willingness are generally limited, such that his attention and efforts need to be directed to what are considered by the teacher to be the essential or minimal contents to be mastered.

Text contents are of uneven importance. A text discourse is a complex structure in which are embedded essential ideas surrounded and supported by contextual ideas of more or less importance to the understanding and appreciation of the primary ideas. An interesting way to view a text is as a summary surrounded by a supportive context.

An essential part of teaching or instruction lies in assisting the student in focusing on the essential, i.e., in facilitating selective processing on his part. This must therefore be an essential specific function of the study guide.

The generative process of learning consists in the student constructing in his own mind a clear picture of the topics presented in the text. At

a micro-level, the problem is one of comprehension: the student must build an accurate picture of the concept, principle, or theory described by the text author. A misrepresentation or an incomplete representation of what was meant results in faulty learning.

At a macro-level, a generative process is involved in the student putting together the various topical elements of a subject into coherent cognitive structures. Both memory and practical thinking are impaired by the absence of well developed cognitive structures. It is for this reason that the orienting function discussed previously can be of such importance in learning.

The study guide can assist comprehension, when needed, by providing clarifications, visual graphics which synthesize topical areas or procedures, and if appropriate, detailed worked-out problems.

The rehearsal process of learning is involved in the memorization of factual elements such as formulae, lists of conditions, and so on. The study guide can assist rehearsal by providing the student with mnemonics if appropriate or by providing him with opportunities for self-testing in the form of questions.

The three processes of selective attention, representation generation and rehearsal are at the core of the learning process. It is these activities which the student engages in while he interacts with the textual materials being read. This conception of active processing must replace the more prevalent misconception that learning occurs naturally as a passive assimilation of content during reading. This issue is a very complex one however, as learning strategies interact with the type and difficulty of contents presented, such that at times passive reading is sufficient for learning. To believe that this is the case in most situations is however incorrect. The

study guide must therefore play a role in assisting and encouraging the student to engage in appropriate processing according to the type of material being studied.

4. Self-assessment. Self-assessment is a monitoring strategy aimed at helping the student evaluate his progress while studying and thus encourage him to compensate for learning deficiencies through further study. The strategy consists in self-testing and is usually based, in the case of study guides, on a set of questions and answers provided for this purpose.

These then are the four specific functions served by a well-designed study guide: orientation, task direction, learning assistance, and self-assessment. There is some overlap in the boundaries of these functions and the underlying processes are complex and not easily described because of the variety of situations to which they may be appropriately applied or not. They nevertheless serve as 4 conceptual points which can usefully be applied in an analysis of what might constitute an ideal study guide, to be undertaken next.

V. Study Guide Components

Up until now were discussed the abstract nature and function of the study guide, with occasional reference to components. What is proposed in the present section is a sketch of the practical components which can be employed in a study guide to optimally serve these identified functions. Thus what is aimed for is a practical conception of the ideal study guide.

The American College study guide has evolved over the years into a form which attempts to embody the functions discussed above. Indeed, these functions were identified by examining various study guides from The American College and elsewhere. In the past decade, some degree of diversity has appeared in the American College study guides. Different formats and components have been devised for different courses and these variations have been

documented in a working paper by Lee Pedrick (1980).

The present section will focus on conceptualizing what the ideal study guide might be like. Needless to say, the present conceptualization is a personal one and does not rest on any applied empirical research. It should thus be viewed merely as a model based on some degree of experience and thought. Alternatively, it can be viewed as a proposal for an ideal design.

The following are proposed as the components of an ideal study guide assignment.

1. Purpose, Significance, and Goals
2. Text References
3. Outline of Subject Matter
4. Questions on Subject Matter
5. Key Words and Phrases
6. Application Problem
7. Assignment Test

These components are applicable to each assignment within the study guide.

1. Purpose, Significance, and Goals.

This first component of an assignment serves an orienting function. It provides the student with a conceptual framework with which to start studying the assignment. The extract on the following page provides an illustration of this component.

The 3 parts of this component approach the orienting task from 3 different and complementary perspectives. The Purpose section provides a compact overview in non-technical language of the topics and issues which will be covered in the assignment. The Significance section indicates to the student the relevance of the assignment for his own professional

DEPOSIT CREATION. MONETARY POLICY

PURPOSE

This assignment focuses on the ability of the banks to create checkbook money (demand deposits) and the controls which "the Fed" exercises over such deposit creation.

Monetary theorists attach great importance to these controls and their effect on the economy. The purpose of monetary policy is to exert, where necessary, an influence on the level of production and income as well as on the general level of prices. When the Federal Reserve undertakes to contract credit, its purpose is to slow the economy. When the discount rate is raised, or open market sales are undertaken, it is hoped that the level of bank deposit creation will be reduced both because of higher interest rates and because of a diminished availability of loanable funds.

The purpose of this assignment is to examine the major tools of monetary policy available to the Federal Reserve authorities; to analyze the impact of monetary weapons on relevant economic variables; and to evaluate monetary policy (in contrast to fiscal policy) in terms of the desired aims of price stability, full employment, and promoting economic growth.

SIGNIFICANCE

The present material is important to the CLU student because monetary policy has a profound effect on saving and therefore on the prosperity of both the agent and his client. Is the policyowner aided or harmed by tight money? It is in this area that the agent must be able to provide knowledgeable advice.

GOALS

1. To understand the process by which the banking system can create demand deposits.
2. To appreciate the role of the Federal Reserve in controlling the economy by examining the monetary tools used to expand or contract the supply of demand deposits.

TEXT REFERENCE

Samuelson — Chapters 16 (pages 300-310) and 17

Summary begins on page 8.17

development. It provides an indication of how the theoretical ideas to be learned can be useful in everyday practical settings. It thus provides a bridge between the world of academic ideas and the world of professional practice within which the student operates in his work. The Goals section indicates to the student, again in a very compact manner, what he should try to get out of the assignment as he studies it. It sets up internal expectations for the student.

Each of these 3 parts contributes to forming within the student a mental set for approaching his study of the assignment. During actual study, the student will then have an orienting framework which consists of (i) a general idea of the topical area as a whole, (ii) an idea of how what he is learning relates to practice, and (iii) an idea of what he should generally be aiming for.

Two practical issues arise with respect to the design of this component: the first concerns the separateness of its 3 parts, the second relates to its brevity.

In most of the CLU study guides, the 2 sections entitled Purpose and Significance are generally combined together in a single section (cf. the illustration on page 12). Furthermore, there is generally no Goals section.

The rationale for this approach is probably twofold. On the one hand it is based on the belief that the goals for the assignment can be communicated adequately within the Purpose section in a paragraph format rather than as a separate numbered list. Secondly, the significance of the assignment in terms of its relation to practice may be either not directly evident or all too evident and identical from assignment to assignment.

ASSIGNMENT 8

Depreciation and Recapture

Purpose and Significance

As part of an incentive system to encourage economic activity, Congress enacted a number of extremely favorable laws. Some of these laws concern deductions which have the effect of sheltering or deferring income from taxation. Of all the means of sheltering income used by business people and investors, none are as popular (or as prominent) as depreciation deductions.

Depreciation is the tax concept that allows recovery of capital—tax free—from property that is gradually exhausted in the process of producing income. For example, suppose your agency owns a building and rents the offices it does not use to outside concerns. There is a theory that the rental income produced by this building has an element of capital in it. On the basis of this theory, taxpayers who use certain property in their trade or business or hold it privately for the production of income are entitled to "a reasonable allowance for the exhaustion, wear, and tear" of the property. A deduction for depreciation allows taxpayers to recover (tax free) the property (capital) which is worn out over a number of years in the production of goods and services.

The Code echoes Congressional economic and social intention by providing greater tax incentives for some investments than for others. An example of this would be the high current depreciation allowed for investment in new residential housing. Individuals in high income tax brackets often utilize depreciation deductions to shelter large amounts of income from taxation. These "newly found" dollars that would otherwise be "lost" to taxes can provide a source of dollars for the products and services offered by the life underwriter.

Text References

Stanley & Kilcullen—Sections 167, 179, 1245, and 1250
Chart on page 8.12 of this Study Guide
Optional Problem on page 8.17 of this Study Guide
Form 4562—Depreciation

Outline of Subject Matter

I. Depreciation
   - A. General rule
   - B. What depreciation is
   - C. Conditions necessary for allowance of depreciation deduction
   - D. Computing the depreciation deduction
   - E. Limitations on the use of certain depreciation methods
   - F. Restrictions on computation methods used for real property
   - G. Incentives for construction of new housing
   - H. Depreciation must be deducted during asset's useful life

II. 20 percent bonus first-year depreciation
   - A. General rule
   - B. Section 179 property defined

III. Obsolescence
   - A. Defined

The illustration on page 12 conforms to this latter case. It is the last paragraph of the component which deals with the significance of the topics for practice. Because of the nature of the course however (a course on income taxation), the significance of most individual assignments for the professional is evident. Its restatement for each assignment and in a separately labelled section would thus be unduly repetitive and lose its impact. In a case such as this one, an initial statement of significance, at the beginning of the study guide (or of a group of assignments) would seem to be preferable.

Where the significance of the assignment is not directly related to practice, but rather to gaining a general conceptual foundation (as in the case illustrated on p. 14), the section on significance can lose much of its intended impact and become simply a continuation of the section on Purpose. In a case such as this, it would probably be preferable to simply state the non-applied nature of the assignment and indicate its importance as a foundation for a general understanding of the subject or as a prerequisite for later assignments.

Despite these difficulties in dealing explicitly with the significance of certain assignments, an attempt should be made in every case to clarify the 'significance' status of all assignments. The easy solution of combining the purpose and significance sections into a single section is probably not a desirable one, for it may result in the section being improperly considered by the academic writing this component.

While both the Purpose section and the Significance section fulfill an initial orienting function, they do so from different perspectives. The purpose section should provide an introductory overview of what is to come. The Significance section on the other hand should indicate the practical importance of what is to come. These are two very different facets of

OPERATION OF THE MIXED ECONOMY

PURPOSE

The purpose of this assignment is to explain how the economy of the United States operates. Ours is a "mixed economy" in which both public and private institutions exercise economic control. Public economic influence and control has developed in part to counteract some of the competitive imperfections in our economy and in part to provide certain other benefits, such as social welfare. Some public control is exercised through the price system, and some is exercised in ways external to the price system. That government has an influence on economic life is widely accepted; what its objectives should be and its means for accomplishing them are the subject of much dispute.

SIGNIFICANCE

This assignment lays the foundation for an understanding of the choices between alternative policies and the impact of those policies. Specifically, this assignment discusses the nature of perfect and imperfect competition, the functioning of the price system, an historical perspective on government expenditure, and a survey of principles, problems, and policies of taxation.

GOALS

1. To appreciate the perfections and imperfections of a free enterprise system.
2. To understand the role government plays in counterbalancing the imperfections of free enterprise.
3. To understand the theory and operation of the tax system.

TEXT REFERENCE

Samuelson — Chapters 3, 8, and 9

Summary begins on page 2.27

orientation, the first being a conceptual framework, the other being a practical framework. Attention needs to be paid to each facet by the academic preparing this component. Keeping the purpose and significance sections distinct from one another facilitates this. It also clarifies the status of the communication for the student.

The next issue to consider is whether an explicit statement of goals is necessary. The more common practice currently is to discuss the goals of the assignment in the purpose section and to not list them separately (cf. the illustration on p.12). A less common practice, and a preferable one, is to include an explicit section on goals within this component, (as illustrated on p.10).

An explicit statement of goals in this form is felt to be desirable on two counts, even if some degree of repetition is involved. The first is that goals are stated in student terms rather than in discipline terms. The purpose section indicates what the assignment will do, i.e., which topics it will present. The goals, on the other hand, indicate what the student should do, i.e., what he should strive for in studying the assignment. The goals thus personalize the task ahead and as a result more strongly form an expectancy set on the part of the student. By indicating the form of the processes involved (e.g., to understand, to appreciate, to distinquish between, etc.), they also add precision to the task. Goals are thus a restatement of what appears in the purpose section, but with a shift in perspective. The result is a stronger expectancy set on the part of the student.

Their second advantage lies in their concise list form. The purpose section provides a general orientation to what is to follow and does so in a continuous prose format. The goal section on the other hand indicates to

the student at a glance the number of major goals which he should be concerned with while studying the assignment and summarizes them in a few key phrases. Their summary form allows the student to more easily keep them in mind while studying the assignment.

This leads us into the next practical issue regarding the design of the Purpose, Significance, and Goals component, namely their extent. In most cases in American College study guides, this component is relatively brief (cf. the illustrations up until now); at times though, it can be rather more involved, as in the illustration on the next 2 pages.

The Purpose section is not meant to serve as a detailed summary of the assignment readings, but rather as an introduction to the main points of the assignment. It therefore needs to be brief and to focus on the generalities involved in the topic area. It is important also that it be couched in non-technical language, since it is meant to be read initially, i.e., before a detailed study of the assignment. It must therefore be understandable on its own. It is this factor which may make it necessary at times for the Purpose section to be somewhat lengthy, as in the previous illustration.

The Significance section should also generally be brief, for it serves as an indication of the relevance of the assignment, not as a complete attempt to show how detailed ideas can be applied in practice.

Goal statements within assignments generally limit the number of goals to three or less. This is currently the case within CLU study guides. The alternative is for this section to present a list of more precise goals in the form of detailed educational objectives, as is usually the case for instance in the study guides produced by the Insurance Institute of America (CPCU and other programs of professional study). An illustration of this latter case is presented on page 19.

THEORY OF SUPPLY AND DEMAND. ANALYSIS OF BUSINESS OPERATIONS UNDER PERFECT COMPETITION

PURPOSE

An important characteristic of modern market-exchange economies is that production takes place in anticipation of demand. Goods are produced in one time period so that they may be offered for sale in a future time period. Moreover, the more capital-intensive the production process becomes, the longer will be the production period and the interval between production and offer to sell. Cost of production can be determined with a fair degree of accuracy. For example, future labor costs can be estimated in accordance with the terms of union-management contracts. Since supply is related to costs of production, a relatively good estimate can be made of the quantities which will be offered for sale in a given time period under specified cost conditions.

Demand, on the other hand, is somewhat more complex. The perfect competitor sells whatever amount he produces at the existing market price. His demand curve is given. However, as soon as some imperfections of competition arise, a producer may not know the exact nature of the demand for his product. The result is that production and pricing decisions are made under conditions of uncertainty, and are based upon expectations of future demand conditions. It is extremely difficult to estimate demand accurately, and imbalances result when suppliers overproduce or underproduce.

This assignment has three purposes. First, the demand schedule is related to its theoretical underpinnings in utility theory. Second, the supply schedule is related to its theoretical base—marginal cost. An understanding of these concepts makes it clear why supply is much more easily determinable than demand. The third purpose of this assignment is to bring out all the cost concepts associated with a firm's operations. These concepts provide a basis for understanding how a firm will react under different market situations. Pricing and output under perfect competition are analyzed in this assignment, and the next assignment is devoted entirely to problems of imperfect competition.

SIGNIFICANCE

Many persons are puzzled by the method of price determination prevailing within the field of life insurance. Their acquaintance with prices and the price system being limited to other fields, they cannot understand why the price of insurance should not decline materially when practically all other prices drop, or why the price of insurance does not rise materially when all other prices rise. A study of the subject matter presented here should help to explain the unique nature of the price system in life insurance. This uniqueness arises from the fact that life insurance deals with dollar values rather than with goods and services as such.

GOALS

1. To understand the economic principle of marginal utility that lies behind the demand schedule and the economic principle of marginal costs that lies behind the supply schedule.
2. To analyze the relationship between total costs, average costs, and other cost concepts under perfect competition.

TEXT REFERENCES

Samuelson — Chapters 22, 23, and 24 (pages 465-471, 474-478)
Additional Reading — pages 12.33 to 12.34

Summary begins on page 12.23.

Assignment 2

The Marketing Function

Study Material

Webb, Launie, Rokes, and Baglini — Chapter 2

Introduction to Assignment 2

This assignment provides an introduction to the marketing systems used for property and liability insurance. The next assignment will deal with recent developments in marketing methods.

Marketing is the process by which a product is transferred from the person or firm that created it to the persons or firms that use it. The nature of the marketing process is determined in large part by (1) the nature of the product and (2) the relative magnitudes of supply and demand.

If the demand is large and the supply is small, the marketing system may be very simple. In extreme cases consumers may deal directly with the creator of the product at the point of origin of the product, with the marketing effort being limited to the physical transfer of the product and the acceptance of payment.

In other instances, more typical in insurance marketing, the supply exceeds the demand. In such instances, the creator of the product must maintain a network of sales people to create demand as well as to satisfy existing demand.

The intangible nature of the insurance product also is a determinant of the nature of the marketing system. The marketing of intangible products requires a minimum of investment in physical facilities, permitting rapid changes in marketing systems as more efficient marketing methods are developed.

Educational Objectives

Upon completion of this assignment, you should be able to:

1. Contrast the marketing function in property and liability insurance with other noninsurance businesses from the standpoint of:
   a. technical expertise;
   b. consumers' needs;
   c. advertising and sales promotion;
   d. legal and financial requirements; and
   e. profit relationship with sales.
2. Explain and illustrate how the sales function in property and liability insurance is also an educational function.
3. Describe the sales management function and give examples of its elements, including:
   a. geographic market segmentation;
   b. demographic and industry market segmentation; and
   c. product segmentation.
4. Compare product differentiation in the insurance industry with other industries and from a marketing standpoint distinguish between:
   a. contract (policy) differentiation;
   b. price differentiation; and
   c. service differentiation.
5. Describe the supervision of producers under the branch office and managing general agency systems.
6. Compare the four major marketing systems with regard to:
   a. ownership of expirations;
   b. producer compensation; and
   c. producer functions.
7. Describe the method of placing business through surplus lines brokers and list the major regulatory constraints affecting these producers.
8. Summarize the overall operating results of the independent agency system with other marketing systems with regard to:
   a. market shares;
   b. growth rates;
   c. expense ratios; and
   d. underwriting profit.

A detailed list of precise objectives is probably not useful to students at this point in their study of an assignment. The technical terms which are sometimes present in detailed objectives can make them unpalatable to the student. Furthermore, the lists are generally too lengthy for the student to keep them in mind while studying, and the objectives are often too detailed and technical for the student to want to keep them in mind.

A lengthy list of objectives thus loses its function of orientation, although it may be used interactively during study itself rather than prior to it. This interactive function however duplicates the function served by another component of study guides, namely questions on the subject matter. This issue will be examined later when we examine this further component more closely.

My conclusion with respect to goal statements is that a brief list of goals which the student can internalize prior to study is the preferable design option. Illustrations of such goal statements were provided previously (cf. pages 10, 14, 18).

2. Text References.

The purpose of this component is fairly straightforward: it indicates to the student the location and extent of the textual materials to be studied for the assignment. This component always follows immediately after the Purpose, Significance and Goals component (cf. previous illustrations).

A few simple design rules can help in keeping this component as straightforward as it should be (this is not always the case in current practice):

1. The text references should be precise and specify only those text sections which relate to the assignment (as in the illustration on pg. 10).

2. Readings which are not part of the main text for the course should probably not be labelled Additional Reading (as in the illustration on page 18) since this might carry the unwarranted connotation that these readings are optional or of somewhat lesser importance than the text readings. A more appropriate label might be Study Guide Readings, or it might contain the author's name, such as "Anderson Reading--page x to x of this Study Guide."

This component indicates to the student which study materials he will need to consult while studying the assignment. More precise task directions are further provided in the Questions component examined later on.

3. Outline of Subject Matter.

This component primarily serves a further orientation function by indicating to the student how the various topics to be covered in the assignment relate to each other. It does so by graphically mapping out the subject matter to be covered (cf. p. 22). In this sense, it is an extension of the Purpose section encountered earlier; however it differs from the Purpose section in 3 ways: (a) it is much more detailed; (b) it often incorporates technical terms; and (c) it uses spacial relationships to express levels of hierarchy.

This component serves as a blueprint of the assignment topic and is analogous in this respect to the architectural plan which represents the layout of a building.

The Outline is especially important when the organization of the assignment deviates in some way from the plan adopted in the primary text reference. This is the case when the assignment invoives more than one reading: in the illustration on p. 22 for instance, topics 1, 2, and 5 are from Study Guide

Outline of Subject Matter

1. Accumulation of money (SG 2.17-2.18)
   a. Compound interest
   b. Security

2. Saving by diverting money at its source (SG 2.20)
   a. Payroll deductions
   b. Bond-a-month
   c. Direct deposit
   d. Increased withholding tax

3. Savings alternatives (SG 2.21; CC 557-570)
   a. Institutions
      i. Commercial banks
      ii. Mutual savings banks
      iii. Savings and loan associations
      iv. Credit unions
      v. U.S. Treasury
   b. Safety
   c. Availability
   d. Returns

4. Money market investments (CC 570-579)
   a. Short-term nature
   b. Alternatives
      i. Treasury bills
      ii. Repurchase agreements
      iii. Federal agency notes
      iv. Tax-exempt notes
      v. Commercial paper
      vi. Bankers' acceptances
      vii. Bank certificates of deposit

5. Money-market funds (SG 2.28-2.29)
   a. Fund Concept
   b. Portfolio Strategy and Advantages

Readings (as indicated by the references following the topics), while topic 4 is from the textbook and topic 3 is from both sources. Thus the Outline represents a structuring of the subject matter, as effected by the academic who prepared the assignment.

This structure is communicated to the student through the graphical layout of the Outline. The student can thus see at a glance how the major topics are sequenced and how each is broken down into its different parts and subparts. In this respect, a wider range of typographic options, as suggested by Waller (1980), could be employed to better convey the hierarchy involved in the structure.

A secondary function of the Outline might lie in its use for review purposes. In reviewing the course for the examination, the student can obtain at a glance a reminder of the various topics in the assignment. The Outline may also help the student in synthesizing the knowledge he gained from the assignment, i.e., in seeing how it all fits together in a conceptual framework. The extent to which students actually use the Outline in these ways, or indeed for initial orientation, is uncertain however. Nevertheless, the potential role which the Outline can have makes it a valuable component of an assignment.

Two of the CLU courses (HS301 and HS307) employ a Working Outline within the Questions component of the assignments. This Working Outline serves a somewhat different purpose than the Outline discussed here and it will therefore be considered in a later section.

4. Questions on the Subject Matter.

This component is the most important component in the study guide, for it offers direct assistance to learning. It does so by helping the student engage in effective processing of the text and readings.

As indicated earlier, most learning situations require more than passive reading activities in order to be effective. Passive reading may provide the student with a general grasp of the material but will often not result in long-term retention of the material. This is well illustrated by the common feeling many people experience now and again of having fully understood a chapter which was just read but yet of being rather unable to give a good account of the contents of the chapter. Thus reading can be more or less involved, or put another way, learning can involve different depths of processing.

The function of Questions on the Subject Matter is to increase the depth to which the student processes the text and readings. Questions do this by focusing the student's attention on the important elements in the text, by helping him derive an internal representation of the subject matter, and by encouraging rehearsal of the information presented. These 3 functions correspond to the 3 learning processes of selection, generation, and rehearsal which were briefly discussed in an earlier section. In general, the Questions help the student monitor his text processing activities and thus allow him to adapt these activities for effective learning. Thus, for instance if a student realizes that he is unable to answer a question presented in the Study Guide, he is likely to go back and further process the text in order to be able to succeed on the question.

It is beyond the scope of this paper to go further into the many ramifications of the issues involved in considering learning processes. It is sufficient here to simply indicate the importance and general functions of this component of the Study Guide.

Three practical issues regarding the design of this component should however be discussed. The first concerns the format of the component, the

second concerns the space provided for the answers to the questions, and the third concerns the provision of summaries or answers to the questions.

Three different formats have evolved in the College's study guides for this component: (a) the traditional format (illustrated on p. 26); (b) the working outline format (cf. p. 27); and (c) the objective format, also referred to at times as the construct lesson plan format (cf. p. 28). The question of interest is whether one format is better than the others.

I personally favor the traditional format, for it is simple and direct. It consists in a sequence of questions, to which are attached specific page references. The questions lead the student through the subject matter by focusing his attention on the important elements to be learned and by having him engage in effective processing, such as for instance making an important discrimination between 2 related concepts or rehearsing a list of factors to be memorized. The appeal of this format is that it is straightforward and hence easy to follow.

The working outline format suffers from the danger of being complex and ambiguous. It consists in a sequence of elements (statements or items) interspersed with questions. It works poorly as an outline, due to the spacing of the elements, which include a space for the student to write in explanations or elaborations. Because it is so drawn out, it defeats the purpose of an outline, which is to show the interrelationships which exist between the elements. This problem is further exacerbated by the presence of the questions which are interspersed in the outline.

The main problem however is that the elements of the outline are meant to play the role of questions by encouraging the various learning processes discussed above. They cannot do this as effectively as questions however. I suspect that many students simply reformulate the elements in their own

Questions on the Subject Matter

1. Explain the manner in which the purchase of permanent life insurance tends to encourage the accumulation of personal savings. (SG 4.15)

2. "The effective rate of return on cash values is greater than the guaranteed rate specified in the contract for two major reasons." What are the reasons? (SG 4.16)

3. Explain how life insurance can impact on the maintenance of credit. (SG 4.17)

4. It has been said that "even aggressive investors include substantial amounts of permanent life insurance as an element of their total financial planning." In terms of the objectives of personal investment, explain why this statement may be true. (SG 4.19)

Working Outline and Questions on the Subject Matter

I. Definition of a corporation—characteristics necessary (SG 13.21-13.22)

A. Associates (This term does not imply that a one-person corporation cannot be formed; rather it connotes that a corporation is an inanimate entity which must work through its employees and agents.)

B. Limited liability

C. Transferability of interest

D. Centralized management

E. Continuity of life

II. Effect of federal and state law (SG 13.22)

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1) *A trust uses its assets to form a real estate business. Beneficiaries of the trust receive transferable shares of stock. The trustee, "X," makes all decisions for the trust. Neither the trustee's death nor a shareholder's death will terminate the trust. Explain how this "trust" will likely be taxed and what factors entered into your decision. (SG 13.21-13.23)*

III. Types of corporations (SG 13.22-13.23)

BUSINESS CYCLES AND FORECASTING

Determining the Cycle

1 *Objective* Name and describe the four phases of the traditional business cycle.

Reference Samuelson pages 253-255
Figure 14-3 on page 253

Notes

Question Name and describe the four phases of the traditional business cycle.

Answer CHECK SUMMARY ITEM #1

mind into questions and proceed with these mental questions. However, the elements as stated form a sort of skeletal summary of the subject matter and some students probably do not therefore engage in the same extent of self-monitoring as they would with actual questions. The ambiguity of the mental tasks which the working outline may encourage leads me not to favor this approach. The traditional format seems so much more direct.

To turn now to the objective format, its main problem is its redundancy and excessive use of space. This format consists in a sequence of learning objectives accompanied by one or two questions which test each objective. The problem lies in the fact that an objective is generally nothing more than a question restated in a different form. Both thus serve exactly the same functions, with the questions probably doing a better job of it. The result is generally a complete and annoying repetition and I suspect that many students probably never actually read the objectives but go directly to the questions instead.

A practical issue of some importance which applies to all three formats just discussed is the amount of space to be provided after each question. Theoretically, the amount of space should be just as large as is necessary for a reasonable answer. In practice, however, 2 problems arise with this option. The first is that it is often difficult to establish what amount of space a reasonable answer will take; not only do people use space differently, but they also come up with more or less involved answers. This however is a minor problem. A more serious problem is the fact that, with changes being made to an individual study guide over the years (new questions added, old ones deleted, etc.), spacing becomes distorted, with the result that a short answer can have a lot of space and a long answer only a short

space (cf. p. 26). This becomes very misleading for the student.

Because of these practical problems, the option of having a uniform amount of space after questions is probably desirable (cf. the illustration on p. 31, taken from a CPCU study guide). As Waller (1980) notes, most people are able to adjust the size of their handwriting to the space available.

Finally, an issue of some importance is whether or not the answers to the Questions should be included at the end of the assignment. This is currently the case with 2 CLU courses and with 5 Graduate courses (cf. p. 32).

There are arguments favoring each of the two options. Including the answers can be useful to the student in verifying whether his own answers to the Questions were correct or as full as they could be. In other words, they provide direct and explicit feedback. Without the answers, the only source of feedback available is the text itself, which is generally adequate for this purpose in the case of conceptual questions but not in the case of application or numerical questions. A secondary function of the answers is to provide the student with a summary of the assignment, which might be useful to the student in tying together all that he has learned in the assignment. It would also prove handy in pre-exam review.

The argument against including the answers in the study guide concerns study strategy. If used as intended, the answers can at times greatly assist learning. On the other hand, if used inappropriately (i.e., as a substitute for the text itself), they may greatly hinder learning by giving the student a false sense of achievement. There must certainly be a temptation for those students who are hard-pressed for time to bypass the normal route to learning and rely solely on the answers as the input for study.

It is simply not known to what extent the answers currently provided in some of our courses are used as intended or not. The issue is therefore a

Review Questions

1. Briefly describe the purpose of the claims handling function and explain how each purpose relates to the delivery of the "product" purchased by the insured.

2. Describe the first step taken by the claimsperson when he or she is initially assigned a new claim.

3. (a) Differentiate between a third-party claim and a first-party claim.

   (b) Identify the claims handling procedures that are common to both types of claims.

   (c) Identify the claims handling procedures that vary between the two types of claims.

SUMMARY

MEASUREMENT OF NATIONAL INCOME

Measuring GNP

Every society needs to have some standard by which to measure the performance of its economy. One such measure, which in some sense is a measure of the nation's economic well-being, is gross national product (GNP). It is simply the sum of the market values (expressed in dollars) of all final goods and services produced in a given year. Oftentimes we use other measures such as "national product" or "net national product" which can be derived from the gross national product by making a few minor calculations. (These calculations will be dealt with later in this assignment.)

1 There are two approaches used to calculate GNP. They are the flow-of-product approach and the earnings, or income, approach. Under the flow-of-product approach, the gross national product is measured by calculating the total market prices paid by buyers for final goods and services during the year.* Under the earnings, or income, approach, the gross national product is measured by calculating the total factor earnings that represent the costs of producing the final goods and services during the year. The inclusion of profit in the earnings approach as a residual will yield the same result as that determined by using the flow-of-product approach.

Measurement Problems

2 There are some problem areas in the measurement and interpretation of national income. One problem emerges when comparing GNP for one year with GNP for a prior year in order to measure the amount of growth an economy has experienced over that given period of time. Because GNP is a market value concept—the sum of quantities of various goods and services multiplied by their respective prices (i.e., GNP = sum [prices × quantity])—its value can change without a change in physical output or quantity. For example, if physical output or quantity remained the same from one year to the next and prices increased (i.e., inflation), GNP would increase simply because of the rise in prices. If we attempted to compare total output between the 2 years, with prices changing in the interim, our comparison would be meaningless unless a proper price adjustment is made.

The process used to make this price adjustment involves converting "money" GNP (the value of output at today's prices) into "real" GNP (the value of output at prices prevailing in the comparison year) by dividing "money" GNP by a price index such as the consumer price index. The result is "real" GNP, or current-year-money GNP adjusted for price changes. This real GNP will help us determine how much GNP went up this year due to increased output and not increased prices. By subtracting real GNP for the current year from GNP for the prior year, the economist can measure the *actual* amount of growth an economy has experienced over the intervening years.

3 Another problem is that of double counting. The definition of GNP tells us that we are only interested in the market value of final goods and services. That is, we are interested in those goods and services that are being purchased for final use and not for resale. Most products go through a series of production stages before reaching the final user, you and I, and as a result, parts or components of most products are bought and sold many times. These goods that are used as inputs into a further stage of production are referred to as "intermediate" goods. If we included the sales value of these intermediate goods as final output we would overstate the value of GNP. This would be a serious case of "double counting," that is, counting not only the value of the final product but also counting the sale and resale of its various parts. Given the vast amount of products in this economy, it would be extremely difficult, if not impossible, to attempt to categorize them according to whether they are final or intermediate.

difficult one to come to a decision on. Until research on student study strategies becomes available, it may be preferable to favor the option of providing answers, on the grounds that our students, as responsible adults, should be left to decide themselves how they wish to study.

In concluding this discussion of the Questions component of the study guide, I would like to draw attention to another very important issue, although it cannot be discussed here. The issue is that of the type of questions included in the study guide, or more specifically the type of conceptual activities they engender. Factual questions for instance are very different from application questions, and so on. The issue is a rather complex one for it must consider the various relationships between the questions, the goals and objectives of the assignment, and the constraints of examination item-writing. The issue is a central one to the task of assisting student learning, although it needs to be treated in depth and therefore within a different framework than the present document design one.

5. Key Words and Phrases.

This component is a list of the new concepts and principles which were introduced in the assignment. It thus serves as a blueprint of the major elements encountered in the assignment although its main role is not an orientation one. Its principal function rather is similar to that of the Questions on the Subject Matter, namely to assist learning through the processes of focusing attention and encouraging self-monitoring. This component is illustrated on p. 34.

This component is more than simply a list of the new concepts encountered. Because of its spacial arrangement, it becomes an activity in the same way as the Questions on the Subject Matter. That is, the student is encouraged to

Key Words and Phrases

1. Depreciation Property (S&K Sec. 167, pp. 5-51 to 5-55)

2. Useful Life (S&K Sec. 167, p. 5-54)

3. Salvage Value (S&K Sec. 167, p. 5-54)

4. Straight-Line Method—SL (S&K Sec. 167, p. 5-55)

5. Declining-Balance Method—DB (S&K Sec. 167, p. 5-56)

6. Sum-of-the-Years'-Digits Method—SYD (S&K Sec. 167, p. 5-56)

7. Section 1245 Property (S&K Sec. 1245, p. 14-25)

8. Recapture (S&K Sec. 1245, p. 14-26)

9. Section 1250 Property (S&K Sec. 1250, p. 14-30)

write down brief definitions in note form of the terms and phrases listed. This thus serves as an additional learning activity which complements the Questions component in the study guide. As with the Questions, the Key Words and Phrases are followed by direct references to the text so that the student can quickly verify his own attempts at defining the terms if he feels uncertain about them.

Currently, only 3 of the American College study guides make use of this component. It is also probable that a proportion of students regard this component as very secondary or overlook it altogether, for no explicit directions on its use are provided in the study guide. The point made by Waller (1980) that better instructions for use should be provided is a worthwhile one. The problem can also be helped by placing the Key Words and Phrases prior to the Questions component rather than following it. This arrangement was adopted in the CPCU study guides and seems to be a favorable one. Where the component is placed however is a minor issue, especially if instructions for usage are made explicit.

6. Application Problem.

This component consists in a problem or a very brief case study aimed at encouraging the student to pull together various strands of the information in the assignment in order to apply them to the solution of a practical problem. This component serves two functions: it helps the student synthesize his new knowledge, and it helps him bridge the traditional academic gap between theory and practice.

Few of our CLU courses currently make use of such a component, which is illustrated on the following 2 pages. Such a component would seem especially desirable in a curriculum such as the CLU curriculum which is geared to an active professional student audience.

Optional Problem

Big Time Tony

Big Time Tony, president of Lucky Lindy Company, Inc., hasn't been so lucky this year. As luck would have it, Tony had no insurance coverage this year, either.

Last spring, Tony's office was burglarized. His new answering machine purchased the week before for $500 was stolen. The next morning, Tony missed several business calls due to the theft and estimates he lost $300 worth of business.

Tony bought a new personal automobile for $5,000 in the summer and drove to Miami Beach for an American Legion convention. On the way to the convention, Tony was responsible for a nine-car collision that partially wrecked his automobile. After the wreck, the car was worth $3,000. Repairs cost $2,000.

In December, Tony sold his home for $30,000 that he originally bought for $50,000. At the settlement of his home on December 31, Tony read the Wall Street Journal while waiting for the purchasers to arrive. He noted that his 100 shares of Magic Milker stock had dropped $1,000 in value since he had purchased the stock.

Discuss the following:

(1) Is Tony allowed to take a deduction for each of the following incidents?

(a) the theft of the answering machine

(b) the loss of business

(c) the auto collision

(d) the loss on the sale of his home

(e) the loss in value of Magic Milker stock

(2) What is the amount of each allowable deduction?

Special Problem

Financial statement analysis: Calculate each of the following using the balance sheet and income statement solutions given at the end of Assignments 1 and 2.

a. Profitability measures:
   (1) gross profit percentage
   (2) net operating profit percentage
   (3) net income percentage (before or after taxes)

b. Liquidity measures:
   (1) current ratio
   (2) acid-test ratio
   (3) receivables-to-sales percentage
   (4) collection period
   (5) inventory turnover

c. Solvency measures:
   (1) equity ratios
   (2) times interest earned
   (3) times preferred stock dividend earned

d. Overall measures:
   (1) return on common shareholders' equity
   (2) operating margin
   (3) operating asset turnover
   (4) earning power (return on asset investment)
   (5) earnings per share of common stock

e. Evaluate company performance using the following additional information in conjunction with the measures calculated above.

Re: Profitability

Industry-wide profitability ranges are as follows:

(1) Gross profit rates for companies with sales of $1,000,000 or less range between 30 percent and 50 percent; for companies with sales over $1,000,000 the range is from 40 percent to 55 percent.
(2) Operating profit rates range from a low of 10 percent for companies with sales of $1,000,000 or less to a high of 25 percent for firms with sales of more than $1,000,000.
(3) The average net income percentage for the industry is 10 percent before taxes and 5 percent after taxes.

Re: Liquidity

(1) The bond indenture specifies that the company shall not allow the current ratio to fall below 2:1.
(2) The indenture also specifies that the acid-test ratio shall not be allowed to fall below 1:1.
(3) and (4) Evaluate performance of these items in relation to the terms of sales. (Check transactions 8, 13, 25, and 33.)
(5) Company management specifies that inventory control guides are that inventory levels should not be allowed to fall to less than two weeks' supply on hand and no more than one month's supply on hand.

Two issues need to be considered with respect to this component. The first concerns the scope of the application problem. It may not be possible to always bring together in one application problem the majority of the strands of information present in the assignment. An alternative in this case would consist in having a number of smaller scale application problems rather than one major one. A further alternative would involve interspersing small-scale application problems and exercises within the set of Questions on the Subject Matter, as is done for instance in HS302 and HS307 (see pages 39 and 40). It nevertheless seems desirable to include a major application problem at the end of the assignment if at all possible.

The second issue concerns the nature of the assignment content. In the case of assignments dealing with more theoretical subject matter, it may not always be possible to devise an appropriate application problem. An alternative in this case would consist in including an essay problem rather than an application problem. Such an essay problem should involve some degree of synthesis and critical thinking on the part of the student in answering the problem. Examples of such problems are many of the illustrative Essay Questions currently found in our CLU courses (cf. p. 41).

In all cases, this component should include a worked-out solution to the problem presented so that the student can verify the comprehensiveness and accuracy of his response.

7. Assignment Test.

This component serves a self-monitoring function which enables the student to evaluate his mastery of the assignment. It also provides him with practice on the various types of questions which will be encountered on the exam. This component is illustrated on p. 42.

The Assignment Test is meant to be taken as a self-administered quiz,

(b) the age of the insured has been misstated (GB 282)

9. In June 1977, Johnson obtained a policy containing a 2-year incontestable clause from X Life Insurance Company. Another section of the policy contained a clause excluding entirely the risk of death "as a result of service, travel, or flight in any species of aircraft except as a fare-paying passenger." In September 1979, Johnson obtained a position as test pilot and was killed in a crash while testing aircraft several months later. Explain the significance of the clauses mentioned above. (GB 280-286)

10. On February 2, A applied for a life insurance policy on his life. He paid the first annual premium at once and requested that the insurance be made effective as of the date of the application. On February 4, the medical examination was given. On February 10, the application and medical examination report were approved and a contract prepared. On February 12, the policy reached the insurer's agent for delivery to the insured but delivery was not made until February 15. The policy contained a one-year incontestable clause. After the insured died as the result of a serious, chronic physical ailment, it was learned by the insurance company that he had concealed this ailment by the use of drugs just before his medical examination and that he had falsified his answers to the questions relating to previous medical attention.

    (a) Suppose that A died on January 25th of the following year. The insurance company was notified of his death by its local representative, but no death claim has been filed by the beneficiary. Should the company take positive action or await the presentation of a claim? Explain. (GB 274-284, 290-293)

    (b) Suppose that A's death occurred on February 4th of the following year, and a death claim has been presented. Would the insurer be able to successfully contest the policy? Explain. (GB 274-284, 290-293)

    (c) Suppose that A's death occurred in March of the following year, and the insurer refused to pay. In a suit by the beneficiary, the company offers the defense that A's action in taking drugs was done deliberately with intent to conceal his true condition. What would be the probable liability of the insurer in this case? Explain your answer. (GB 274-284, 290-293)

ii. General rule under regulations for deciding what reasonable compensation is

iii. Factors considered in determining reasonableness of salaries

iv. Deductibility of bonuses and commissions

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5) *"J" pays $500 for tuition to an advanced underwriting seminar. Is this expense ordinary and necessary? Explain what factors you would examine. (S&K Sec. 162, pp. 5-5 to 5-7)*

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6) *While you are parked in front of a prospective client's business and while you are engaged in estate conservation analysis that indirectly leads to the sale of a pension plan, you receive a parking ticket. Explain why the cost of this ticket would or would not be deductible. (S&K Sec. 162, p. 5-7)*

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7) *Seventeen years ago "X" purchased an insurance agency, incorporated it, and built it into a multimillion dollar operation. "X" is an employee of the corporation and draws a salary of $102,000 a year. The IRS claims that compensation is unreasonable. Discuss the factors "X" might use to prove his salary is reasonable. (S&K Sec. 162, pp. 5-10 to 5-12)*

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2. "Paid or incurred during the taxable year" requirement
   a. Cash-basis taxpayers

   b. Accrual-basis taxpayers

Illustrative Essay Question

A piece of real estate which has been sold for a price in excess of its appraisal value is said to have sold at a "premium." Identify and explain those general factors which may cause a specific piece of real estate to sell at a premium.

ASSIGNMENT TEST

1. Which of the following statements concerning individual and market demand curves is (are) correct?

   I. An individual's demand curve depicts the several quantities that a person will buy at a single price.

   II. A market demand curve is the sum of all individual demands for a particular good.

   III. An individual's demand curve shows the quantity that a person will willingly buy at a whole series of prices, other things being equal.

   IV. A market demand curve is the sum of all individual demands for all goods.

   V. An individual's demand curve depicts the several quantities that a person will buy at different incomes.

   ___ A. II only
   ___ B. I and II only
   ___ C. II and III only
   ___ D. II and IV only
   ___ E. III, IV and V only

2a. A change in income normally causes

   ___ A. a movement along a demand curve in the same direction as the change in income
   ___ B. a movement along a demand curve in the opposite direction as the change in income
   ___ C. a shift in a demand curve in the same direction as the change in income
   ___ D. a shift in a demand curve in the opposite direction as the change in income
   ___ E. no appreciable effect on a demand curve

2b. If X and Y are complementary goods, then

   A. a drop in the price of X causes the demand curve for Y to shift outward to the right
   ___ B. a drop in the price of X causes a movement downward along the demand curve for Y
   ___ C. an increase in the price of X causes the demand curve for Y to shift outward to the right
   ___ D. an increase in the price of X causes a movement upward along the demand curve for Y
   ___ E. a drop in the price of X causes an income substitution effect which is determined by the demand curve position for Y

2c. If X and Y are substitute goods, then

   ___ A. a drop in the price of X causes the demand curve for Y to shift outward to the right
   ___ B. a drop in the price of X causes a movement downward along the demand curve for Y
   ___ C. an increase in the price of X causes the demand curve for Y to shift outward to the right
   ___ D. an increase in the price of X causes a movement upward along the demand curve for Y
   ___ E. a drop in the price of X does not necessarily cause a change in the quantity demanded of Y

i.e., without reference to the study materials. The correct answers are provided on an answer key so that the student can immediately determine which questions were incorrectly answered.

Currently, only a few of our study guides contain Assignment Tests. The number of questions per assignment ranges from 8 to 20 depending on the assignment.

Most of our study guides (although not all) do contain illustrative exam questions of both the objective-type and the essay-type. The number of illustrative questions however is very small (no more than 3). These illustrative questions do provide the student with some practice on the various types of exam questions, but they cannot very well serve as a self-test because there are so few of them.

Ideally, all assignments should include an Assignment Test (which would replace the current illustrative questions) so that the student can self-test himself. Self-testing is important because many students probably use the Questions on the Subject Matter primarily as guides to direct their study activities and only marginally in a self-assessment capacity. That is, many students probably engage in only minimal effort in attempting answers before turning to the text for the answers. The conditions for real self-assessment are therefore lost.

Assignment Tests are also useful during review in preparation for the exam. That students want such a component is well illustrated by the great proportion of students who use such study aids as Keir's Multiple Choice Question and Answer Book.

This completes my discussion of which components should be included in the ideal study guide. One further component should briefly be noted. It consists of additional notes and materials inserted in some assignments when the subject matter specialist feels such additions are necessary or useful.

They take the form of special notes or editorial comments (cf. p. 45) or visuals (cf. p.46). These are not treated in the present analysis as a component of the study guide because they are simply used on an "as needed basis and are not employed in most assignments.

VI. Final Remarks

The ideas presented in this paper are very much open to further consideration and discussion. They represent an initial look at what functions should be served by a study guide and how these functions can be embodied in various components of a study guide. Research on how students study textbooks in practice and on how they make use of study guides is extremely rare. Until such research is developed, educators and instructional designers must largely rely on theory and intuition in developing instructional materials and instructional systems.

The orientation of this paper was toward conceptualizing the ideal study guide. This of course represents an oversimplification in that many such ideal study guides will exist depending on the range of types of subject matters covered. An ideal study guide for a mathematics course for instance will most likely look quite different from the one emerging from this paper. The ideas presented here seem to be applicable to subject matters which are more discursive in nature than they are procedural. The social sciences generally typify this kind of subject matter well, although many other areas of knowledge would also be included in the category of discursive knowledge.

It is evident, at any rate, that there can be no one ideal study guide. Rather, each type of subject matter will require its own ideal study guide. The one discussed in this paper would seem however to have quite a broad range of applicability, and for this reason should be given further consideration in the future.

Special Note: *In reading the chapters on financial statement analysis and interpretation in Anthony and Reece and Weston and Brigham, the student will find several instances where ratios are defined differently. This is the result of conflicting perspectives on the objective of the specific ratio analysis.*

What is important is that the ratios, defined either way, be used in a rational and consistent manner. The student must understand that a single ratio standing by itself has no meaning. A ratio only has value when it is used as a tool of comparative analysis–e.g., comparing one year to another or similar firms to each other. Ratios defined under either the accounting or the financial perspective will be accepted as accurate and correct as long as they are used appropriately.

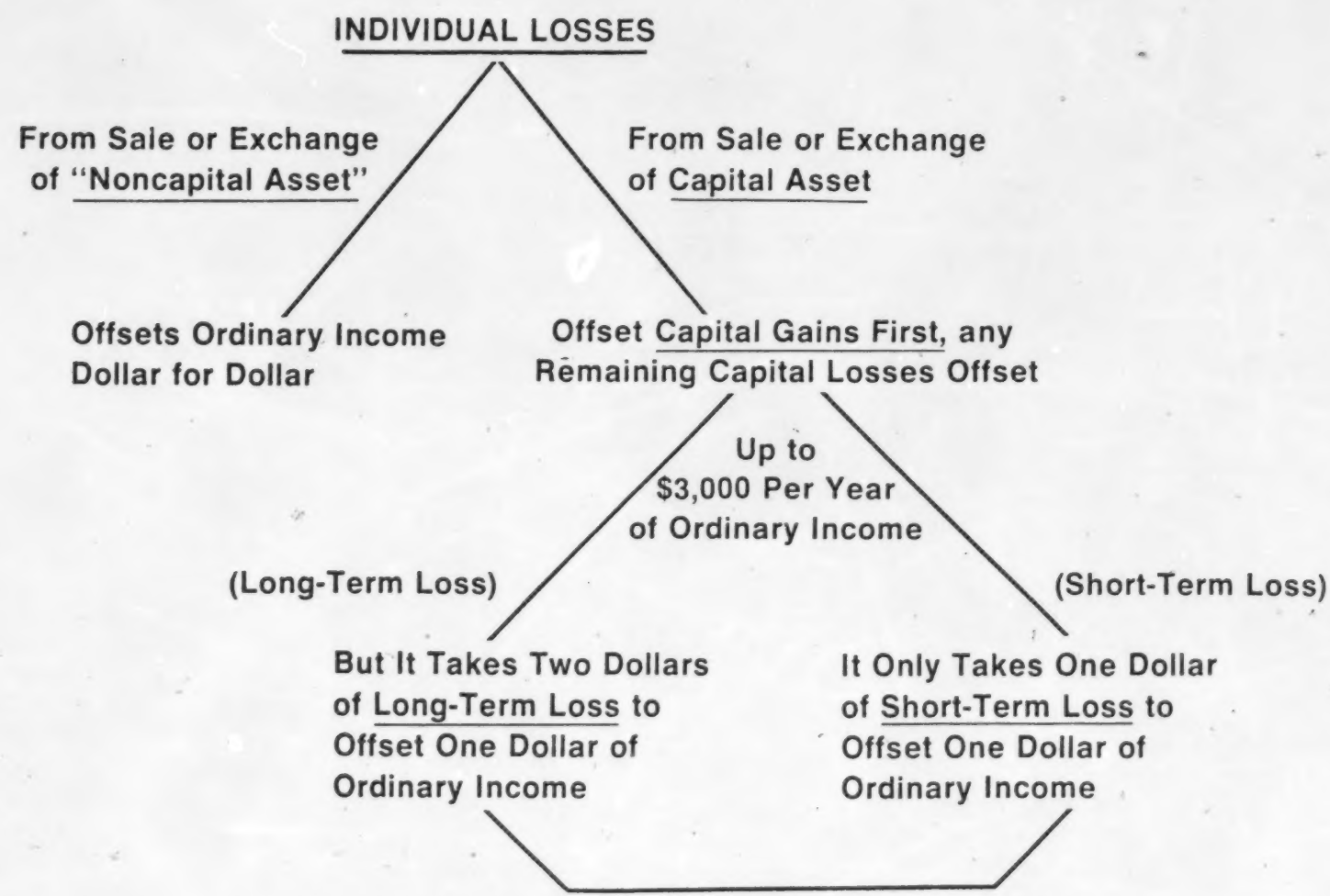
Questions on the Subject Matter

1. What is the function of financial statement analysis? What is the relationship between the three primary financial statements? (AR 271-272)

2. What ratios measure return on investment? What is the focus of each ratio? (AR 272-274)

3. Explain the following overall measures and what they attempt to reflect: (AR 277-279)

   (a) price earnings


INDIVIDUAL LOSSES
From Sale or Exchange of "Noncapital Asset"
From Sale or Exchange of Capital Asset
Offsets Ordinary Income Dollar for Dollar
Offset Capital Gains First, any Remaining Capital Losses Offset
Up to $3,000 Per Year of Ordinary Income
(Long-Term Loss)
(Short-Term Loss)
But It Takes Two Dollars of Long-Term Loss to Offset One Dollar of Ordinary Income
It Only Takes One Dollar of Short-Term Loss to Offset One Dollar of Ordinary Income
Any excess may be used as a "carryover loss" in future years for as long as the individual lives or until the loss is used up.

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